

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07
EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 EPG-02 SIL-01
AGRE-00 OMB-01 FEA-01 OES-07 SS-15 NSC-05 DODE-00
/113 W

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R 281658Z JUN 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5626
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE

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OECD ONLY
USEEC ONLY

E.O. 11652: N/A
TAGS: ENRG, EFIN. UK
SUBJECT: BP SALE OF STOCK

1. THE HANDLING OF THE SALE OF BP STOCK REDUCING HMG
HOLDINGS FROM 69 TO 51 PERCENT HAS RECEIVED WIDE AND GEN-
ERALLY FAVORABLE PRESS COVERAGE IN THE US AND UK. ON
JUNE 27, HOWEVER, TO THE CHAGRIN OF BP AND AMERICAN IN-
VESTMENT BANKERS INVOLVED, THE GOVERNMENT DECIDED FOR
POLITICAL REASONS TO REDUCE THE NUMBER OF SHARES TO BE
SOLD ON THE US MARKET FROM 25 TO 20 PERCENT OF THE OFFER-
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ING.

2. A BP SOURCE HAS CONFIRMED TO US BRITISH PETROLEUM'S
STRONG PREFERENCE WAS FOR THE OFFERING TO GO THROUGH AS
PLANNED BUT THAT THE SALE HAD BECOME AN "EMOTIONAL ISSUE"
(SIC). HE NOTED THAT THE SIZE OF THE OFFERING WAS LARGE
FOR THE US BUT ABSOLUTELY IMMENSE FOR THE BRITISH MAR-

KET. TAKEN TOGETHER WITH THE VIEWS OF GOVERNMENT MINISTERS SUCH AS SECRETARY OF STATE FOR ENERGY BENN WHO VIGOROUSLY OPPOSED DISPOSITION OF ANY OF HMG'S SHARES, THE PRESSURES FOR SATISFYING THE DOMESTIC STOCK MARKET DEMAND WERE TOO GREAT TO BE IGNORED.

3. THE REDUCED AMERICAN SALE WILL STILL MEAN A CAPITAL INFLOW OF AROUND \$200 MILLION FOR THE UK'S BALANCE OF PAYMENTS. IT IS NOT KNOWN HOW MUCH OF THE 860 MILLION POUNDS OF DEPOSITS ACCOMPANYING BIDS FOR THE UK SALE CAME FROM OVERSEAS. BUT A PERCEPTIBLE FRACTION WOULD ADD SIGNIFICANTLY TO THE DEMAND FOR STERLING IN THE SHORT RUN. ON THE OTHER HAND THE INTEREST, PROFITS AND DIVIDENDS OF THE UK CURRENT ACCOUNT WILL DECLINE AS SOME OF THE OWNERSHIP OF BP'S OPERATIONAL PROFITS IS TRANSFERRED TO THE OVERSEAS SECTOR.

BREWSTER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Copy: SINGLE
Sent Date: 28-Jun-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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